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**SMALL BUSINESS ADVOCACY
REPORT NO. 5**

**NEWLY-FORMED SMALL
BUSINESSES IN ONTARIO,
1982-84**

August, 1985

**MINISTRY OF INDUSTRY,
TRADE AND
TECHNOLOGY
ONTARIO**



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BEHALF OF
SMALL BUSINESS ADVOCACY
BY

THE CREATIVE RESEARCH GROUP,
TORONTO, ONTARIO

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FOREWORD

Executive Summary

The overall objectives of the research are:

- To identify environmental business opportunities associated with the proposed programme
- To produce a profile of the kind of companies that are likely to be interested in the programme
- To produce a profile of Ontario's best business leaders, and their attitudes towards the environment and the programme
- To analyse the findings to provide useful information on how the programme can be improved

FOREWORD

The information was a general overview of providing financial support for the programme and a general overview of the programme.

Introduction

The information for this research was obtained from Ontario, from 1981 to 1984, as reported in the Data Summary Report. It was found that the number of companies in the province was increasing, with a significant increase in the number of companies in the province.

FOREWORD

Objectives

The specific objectives of the research are:

- To compare unincorporated businesses (previously surveyed) with incorporated businesses
- To produce a profile of the kinds of businesses that are started and remain viable
- To produce a profile of Ontario's small business owners, and their attitudes about various issues and programs
- To analyze the findings to provide useful information on both the people and the issues.

All this information has a general objective of providing factual back-up for policy making and priority setting.

Methodology

The universe for this research was businesses registered in Ontario, from 1982 through 1984, as recorded in the Teela Marketing Digest. It was intended to interview a total of 800 of these businesses, among those surviving into 1985. However, relatively few businesses were

found from the earlier years, and an over-sample collected additional interviews from 1982 and 1983, for a total of 861 interviews, as follows:

	<u>Incorporated Businesses</u>	<u>Unincorporated Businesses</u>
1982	103	74
1983	209	73
1984	<u>189</u>	<u>213</u>
TOTAL	501	360

The sampling procedures may be summarized as follows:

- (1) Take as respective universes, all companies listed under "New Businesses Unincorporated" or "New Incorporated Companies" in the Teela Marketing Digest, provided they fall within cities with a population of 50,000 or greater.
- (2) Take every "Nth" business, and determine through relevant telephone directories and, if necessary, through consulting the telephone operator, whether that business still exists under the same name in 1985. Initially, every 13th incorporated name, and every 8th unincorporated name, was examined in this way. However, so few businesses still existed in 1985 that eventually better than two-thirds of all the business names (69%, or over 21,000 names) had to be examined.
- (3) Call existing businesses and attempt to interview someone who was an owner or partner in the business at the time that it was registered. Make repeated calls if necessary. If necessary arrange later time to call back for interview.

Overall level of "survival" may be summarized as follows:

	<u>Incorporated Businesses</u>	<u>Unincorporated Businesses</u>
No. of businesses followed up	9,379	11,649
No. of businesses still to be found in 1985	2,959	3,129
Percent surviving	31.5	26.9

Further information on survival rates may be found in Table 36 of this report. Further details on contact rates may be found in the appendix.

Interviewing dates were late July through August, 1985.

The questionnaire used in the research was developed in concert with representatives of the Ministry of Industry and Trade. Broadly speaking, it investigated previous knowledge, experience, and preparation for running a business, capitalization, size and growth expectation, problems and difficulties encountered, and attitudes toward a variety of issues. The questionnaire is appended to this report.

Results

The results of the study are presented as follows:

An Overview

The Findings in Detail

The Appendix.

Throughout the summary tables, circles and squares are used to highlight results in certain sub-groups which are substantially and meaningfully higher or lower respectively than those in other sub-groups.

Additionally, an asterisk (*) is used to indicate differences that are statistically significant at the 95 percent confidence level; that is,

the likelihood of observing differences as large as these by chance is less than 5 percent, or 1 in 20.

Computer tabulations for the research are provided under separate cover. Additionally, a computer tape of the data has been provided to the Ministry.

July, August, 1985
Study No.: 611-85
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THE CREATIVE RESEARCH GROUP
Limited

AN OVERVIEW

AN OVERVIEW

* The owners of incorporated firms are different from the owners of unincorporated firms in a variety of ways. In broad terms they are more sophisticated and also more successful in their business dealings. In particular, the owners of incorporated small business:

- are more often in manufacturing rather than in retail
- are more often male, university graduates, with higher household incomes
- have more relevant business experience, in the same type of work as their current small business, and more often in an executive/professional role
- have better preparation for this business having more often contacted a lawyer, developed a financial statement at business start-up, talked to financial institutions, and determined the need for their product/service in the marketplace
- start their businesses with greater capitalization, and invest more out of their own funds.
- are more likely to obtain additional financing from traditional sources -- financial institutions and other investors (rather than friends and relatives)

- are more willing to accept a debt position for additional capital
- start more companies
- have higher expectations for the growth of these companies
- have higher current sales/billings, and (correspondingly?)
- spend more time (or their bookkeepers spend more time) in filling out government forms.

* Women are under-represented among the owners of these small businesses, making up about 1 in 5 of the total. Even among the select group that do start small businesses, they are somewhat backward or perhaps simply more conservative. The women owners:

- are more likely to be involved with unincorporated rather than incorporated businesses
- begin their businesses with less capitalization
- are less willing to go into debt for more capital
- have lower current sales or billings
- have lower growth expectations for their firms
- have a more modest perspective on what would be "successful" sales

- are more in favour than men of equal pay for women, but not for affirmative action in the more general sense, to advance women, ethnic minorities, and the handicapped.

From a different perspective, it may be noted that women form about half of the employees of these small businesses, much higher than their proportion of owners.

And finally, overall both men and women approve of equal pay for women (for work of equal value).

- * Over the course of three years, the incorporated firms on average have increased their billings by 50 percent, and the number of their employees by 200 percent. The unincorporated firms beginning with lower base numbers, also increase their billings by 50 percent, but the number of employees by only 100 percent (and then more particularly with part-time employees). About one-third of the unincorporated firms eventually incorporate within the three-year time span of this study.
- * Initial expectations are quite divided between those who hope "simply to make a living", and those who hope "to grow into a really big business". One in 3 of the incorporated firms, and 1 in 4 of the unincorporated firms, expects their sales/ billings "to grow quickly, at least 50 percent annually"/

Very few expect their sales to decline. However, the background to this research that 3 in 4 of the small businesses that were originally registered did not survive to be interviewed in this study.

Higher expectations are generally held by:

- male owners
- younger owners
- those firms that begin with employees

The lower level of expectations held by female owners extends to their perception of what would constitute "successful" sales and billings. Even their dreams seem more conservative than for male small business owners.

THE FINDINGS IN DETAIL

SECTION A: DESCRIPTIVE COMPARISONS

THE FINDINGS IN DETAIL

SECTION A: DESCRIPTIVE COMPARISONS

The greater number of the small businesses, both incorporated and unincorporated, are service type businesses. However, there are many unincorporated businesses that fall into the retail category. In contrast the incorporated businesses are largely distributed between retail but also manufacturing.

These findings are consistent over the three years surveyed, except that there seems to have been a gradual increase in the proportion of the incorporated businesses that fall into the manufacturing category.

Demographically the owners and partners of these small businesses have much in common whether the businesses are incorporated or unincorporated. Thus in most cases the owners are male and in the general age range of 25 - 44. However, the owners of the unincorporated businesses tend more often to be female, and with lower household incomes. The owners of the incorporated businesses are of course more often male but they are also more likely to be university graduates.

TABLE 1

Type of Business

-- Incorporated versus Unincorporated Businesses
Based on Total Companies

	<u>Incorporated</u>		<u>Unincorporated</u>
Base (Unweighted)	(501)		(360)
	%		%
Manufacturing	(21)	*	13
Construction	4		1
Retail	22	*	(42)
Wholesale	9		8
Distribution	3		a
Service type industry	(55)		(56)
Holding/Investment	2		--

(See Table 5)

a Less than 0.5 percent

* Indicates differences that are statistically significant at the 95 percent confidence level; that is, the likelihood of observing a difference as large as observed by chance is less than 5 percent.

TABLE 2

Type of Business
Based on Total Companies
-- Trends Over Time

	Incorporated			Unincorporated		
	1982	1983	1984	1982	1983	1984
Base (Unweighted)	(103)	(209)	(189)	(74)	(73)	(213)
	%	%	%	%	%	%
Manufacturing	12	20	28	15	15	11
Construction	3	6	2	--	1	1
Retail	20	29	16	49	36	44
Wholesale	8	8	11	11	6	8
Distribution	4	2	4	--	--	1
Service type/Industry	61	53	53	54	60	55
Holding/Investment	3	1	1	--	--	--

(See Table 5)

SECTION B: PREVIOUS KNOWLEDGE, EXPERIENCE & PREPARATION

TABLE 3

Demographic Profiles of Business Owners/Partners
 - Incorporated versus Unincorporated Businesses
 Based on Total Businesses

	<u>Incorporated</u>		<u>Unincorporated</u>
Base (Unweighted)	(501)		(360)
	%		%
Male	81		73
Female	19	*	27
<u>Age</u>			
Under 30	14	*	22
30 - 50	68		65
50 & over	18	*	11
<u>Education</u>			
Less than high school	20		25
High school graduate	21		22
Post high school	23		26
University graduate	35	*	25
<u>Household Income</u> (excluding don't know/ refused)			
Under \$25,000	19	*	33
\$25 - \$35,000	19		27
\$35 - \$50,000	22		26
\$50,000 and over	41	*	14
Average ('000's)	\$39.	*	\$33.
<u>Visible Minority Group</u>			
No	88		86
Oriental	2		5
Indian/East Indian	2		2
Eastern Europe	1		a
African/Black	1		1
Jewish	2		-
Other	2		3
Refused/don't know	3		3

(See Tables 63-69)

^a Less than 0.5 percent

SECTION B: PREVIOUS KNOWLEDGE, EXPERIENCE AND PREPARATION

The great majority of these small business owners have previously worked in the same type of business. However, this is somewhat less likely to be the case for the unincorporated businesses.

Also their role in their previous experience seems to have been somewhat different. While the greater majority of the small business owners have had previous experience in actually running a business, this is somewhat less likely to have been the case for the unincorporated businesses. The previous employment of the owners of the unincorporated businesses tends to run slightly more to skilled labour and slightly less to either being executives or professionals.

The majority of these business owners did contact some professional prior to starting their business. Lawyers and accountants tend to have been particularly often consulted. With regard to lawyers, this seems to have been rather more often the case for the incorporated business owners rather than the unincorporated business owners. Of course this might have been a requirement of actually incorporating their business.

The incorporated business owners seem to have done rather more in the way of financial preparation. Thus they are more likely to have developed a financial statement at their business start up, and to have talked to financial institutions about getting financing, as well as having considered equity financing.

Overall, about 1 in 3 of these business owners have started another business as well as this one.

In terms of the total number of businesses still active today, the incorporated business owners do, in fact, exceed the unincorporated business owners, by a ratio of almost 3 to 2 (1.6 businesses still active today versus 1.1 businesses still active today). Thus the incorporated business owners, in addition to starting more businesses, seem to have been rather more successful in keeping those businesses going. (This also accords with this study's incidence data on the number of businesses that were registered, that are still active today.)

Most of these small business owners have carried their preparations to the point of writing job descriptions. This appears to have been somewhat more often the case for the owners of the incorporated businesses.

Initially most of these small business owners seem to have rented business space as opposed to operating out of their own home. Over time they have moved even more in this direction. However, relatively few have gone so far as to buy space.

The extent of formal business planning seems to have been greater for the incorporated businesses. Thus more of them had a formal business plan when they started the business and more of them have a business plan now. Still, about half of the owners of these businesses did not and do not now have a business plan.

There are some variations in exactly what kinds of owners are more likely to have developed a formal business plan. It seems to have been the larger companies with employees, and also more particularly male owners, who have developed a formal business plan.

Asked why they actually started a business in the first place, it is generally the case that individuals wanted "to be their own boss". Also of course they wanted to make money. However, the owners of the incorporated businesses seemed to have been more likely to investigate the marketplace, to "see the need for the product/ service".

TABLE 4

Previous Experience

- Incorporated versus Unincorporated Businesses
Based on Businesses Ever Active

	<u>Incorporated</u>		<u>Unincorporated</u>
Base (Unweighted)	(493)		(356)
	%		%
Worked in this type of business before	81		75
Other relevant experience	7		6
No previous experience	12	*	19
Previous experience in actually running a business	63	*	55
No such experience	37		45
<u>Immediate Previous Employment</u>			
Executive/manager/owner	46	*	36
Professional	13	*	6
Sales	9		9
Clerical/other white collar	10		11
Skilled labour	16	*	28
Unskilled labour	3		4
Student	2		3
Other/refused	2		3

(See Tables 10, 11, 13, 14)

TABLE 5

People Contacted Before Starting Business
 -- Incorporated versus Unincorporated Businesses
 Based on Businesses Ever Active

Base (unweighted)	Percent Contacting Each	
	<u>Incorporated</u> (493) %	<u>Unincorporated</u> (356) %
Lawyer	60 *	44
Accountant	60	53
Someone else in the same sort of business	49	54
Representative of a bank/other financial institution	43	43
Supplier to the business	40	37
Someone in government	13	17
Someone in market research	6	6

(See Table 17)

TABLE 6

Financial Preparation

- Incorporated versus Unincorporated Businesses
Based on Businesses Ever Active

	<u>Incorporated</u>		<u>Unincorporated</u>
Base (Unweighted)	(493)		(356)
	%		%
<u>At Business Start-Up</u>			
Kept financial records	97		99
Developed a financial statement	93	*	88
Talked to financial institutions about getting financing	52	*	41
Obtained a loan to start the business	44		44
Considered equity financing	24	*	14

(See Table 33)

TABLE 7

Previous Experience In Starting Business
- Incorporated versus Unincorporated Businesses

	<u>Incorporated</u>	<u>Unincorporated</u>
Base (Unweighted)	(501)	(360)
	%	%
<u>Number of Businesses Ever Started</u>		
1 only (this one)	64	71
2	15	15
3	9	7
More	11	7
<hr/>		
Average number	2.3	1.9
<hr/>		

Number Started Before This Business

Base (those starting other businesses)	(179)		(104)
	%		%
<u>Number of Other Business Still Active Today</u>			
None	30	*	50
1	38		28
2	13		11
More	19		11
Average number	1.6	*	1.1

(See Tables 49-52)

TABLE 8

Written Job Description

- Incorporated versus Unincorporated Businesses
Based on Businesses Ever Active

	<u>Incorporated</u>		<u>Unincorporated</u>
Base (Unweighted)	(493)		(356)
	%		%
For all employees	69		71
For some employees	11		10
For no employees	15	*	11
Don't know/not stated	5		9

(See Table 27)

TABLE 9

Physical Facilities

- Incorporated versus Unincorporated Businesses
Based on Businesses Ever Active

	<u>Incorporated</u>	<u>Unincorporated</u>
Base (Unweighted)	(493)	(356)
	%	%
<u>At Start Up</u>		
Out of own home	28	31
Rented business space	63	63
Bought space	8	6
Base (Currently Active Businesses)	(491)	(354)
	%	%
<u>Currently</u>		
Out of home	10	15
Rented business space	78	76
Bought space	12	9

(See Tables 29, 30)

TABLE 10

Making Formal Business Plans

-- Incorporated versus Unincorporated Businesses

Based on Businesses Ever Active

	Percent Agreeing	
	<u>Incorporated</u>	<u>Unincorporated</u>
Base (Unweighted)	(493)	(356)
	%	%
Had a formal business plan when started business	54 *	45
Have a business plan now	68 *	60

(See Tables 31, 32)

TABLE 11

Making formal business plans

-- By Selected Sub-groups

Based on Ever Active Businesses

Percent Having a Business Plan

At Start-upNowBase
Unweighted

Incorporated Businesses	(493)	54	68
-------------------------	-------	----	----

Year Registered

1982	(103)	45	66
1983	(205)	57	70
1984	(185)	56	67

One-person firms	(184)	50	64
With employees	(309)	56	70
Male owners	(399)	(56)	(71)
Female owners	(94)	44	55
Older owners (40+)	(212)	55	64
Younger owners (-40)	(276)	52	70

Type of Business

manufacturing	(122)	57	70
retail	(153)	54	71
service	(272)	(52)	65

Unincorporated Businesses	(356)	45	60
---------------------------	-------	----	----

Year Registered

1982	(74)	39	61
1983	(72)	40	53
1984	(210)	(52)	64

One person firms	(169)	39	54
With employees	(186)	(51)	(66)
Male owners	(259)	47	(62)
Female owners	(97)	41	54
Older owners (40+)	(129)	48	61
Younger owners (-40)	(220)	43	58

Type of Business

manufacturing	(47)	42	63
retail	(168)	47	61
service	(198)	45	58

(See Table 31, 32)

TABLE 12

Reasons for Starting Business

-- Incorporated versus Unincorporated Businesses
Based on Businesses Ever Active

	Percent Agreeing to Each Reason	
	<u>Incorporated</u>	<u>Unincorporated</u>
Base (Unweighted)	(493)	(356)
	%	%
To be own boss	44	42
Always wanted to run a business	26	23
To make money	42	38
Economic necessity	18	16
Saw the need for the product/service	32	*
Had relevant personal experience	18	17

(See Table 15)

Note: Multiple answers possible

SECTION C: CAPITALIZATION

SECTION C: CAPITALIZATION

The start up investment at these firms averaged about \$25,000, of which about two-thirds to three-quarters was their own money. The incorporated businesses seemed to have had somewhat greater start-up funds, with rather more money coming out of their own funds.

It is not surprising that greater funds were required in those businesses that began with employees. Also older owners seem to have arranged a greater investment and especially were likely to have put in more money themselves.

Male owners in the incorporated businesses seemed to have been able to raise more capital.

The retail firms generally seem to have had more capitalization, especially for the unincorporated businesses.

As noted most of the start-up investment seems to have come from their own money. The primary source for other start up funds was banks and other financial institutions and this was true both for incorporated and unincorporated firms. However the unincorporated firms were more likely to have leaned to relatives as another source of funds.

When a small business needed additional financing, during the course of the actual operation of their business, most turned again to banks and other financial institutions. However this was somewhat less likely to have been the case for the unincorporated businesses. Again, they were more likely to rely on friends and relatives for some funds, while the incorporated business owners were able to some degree to bring in other investors.

In fact, about half of these small business owners have needed additional capital since they began their companies. Most (3 in 4) were able to raise additional financing. This leaves only about 1 in 8 that have not been able to raise their additional financing. (Of course, companies that failed because of this problem would not be in this survey.)

Asked straightforwardly, about two-thirds of these small business owners would go into debt for more capital. However, there is again a difference between the incorporated and unincorporated business owners, with the incorporated business owners being more likely to accept the debt position.

The willingness to go into debt for more capital is somewhat greater among the incorporated business owners with employees and also those who are male as opposed to female.

Asked to consider the potential use of a \$25,000 capital investment, the primary use of the money would be to purchase or lease equipment. Hiring staff is second.

The distribution of answers to this question is rather different than how they actually have used some of the monies obtained from the corporate income tax exemption purchasing inventory more than hiring staff).

There are again differences to be noted between incorporated and unincorporated businesses. The unincorporated businesses would be more likely to use the funds to pay down loans and also to purchase inventory. However, it is to be noted that the unincorporated business owners tend to answer more positively to all the expenditure alternatives offered to them, and it might be surmised that they are simply less familiar and have not thought through as well how they would use such additional monies.

TABLE 13

Start-up Investment

-- Incorporated versus Unincorporated businesses
Based on Businesses Ever Active

Base (Unweighted)	<u>Incorporated</u> (493) %		<u>Unincorporated</u> (356) %
<u>Start-up Investment</u>			
\$5,000	16	*	(24)
\$5,000 - 11,000	15		17
\$11,000 - 21,000	16		19
\$21,000 - 50,000	(22)		16
\$50,000+	(28)	*	18
Don't know/Refused	4		7
Average ('000's)	\$26.7		\$20.8
<u>Amount of Your Own Money Invested</u>			
\$5,000	30		34
\$5,000 - 11,000	18		20
\$11,000 - 21,000	17		17
\$21,000 - 50,000	16		13
\$50,000+	13		9
Don't know/Refused	6		8
Average ('000's)	\$18.1	*	\$15.2

Own Investment as Percent
of Total Investment

68%

73%

(See Tables 37, 39)

Start-up Investment
 -- By Selected Sub-groups
 Based on Businesses Ever Active

Average Investment (in '000's)

		Total \$	Your Own Money \$	Percent Your Own Money %
Incorporated Businesses				
	(493)	26.7	18.1	68
<u>Year Registered</u>				
1982	(103)	24.4	17.6	72
1983	(205)	26.9	19.0	71
1984	(185)	27.9	17.5	63
One-person firms	(184)	20.3	14.0	69
With employees	(309)	30.5	20.6	68
Male owners	(399)	27.9	18.9	68
Female owners	(94)	21.4	14.3	67
Older owners (40+)	(212)	28.6	21.1	74
Younger owners (-40)	(276)	25.1	15.6	62
<u>Type of Business</u>				
manufacturing	(122)	27.6	17.6	64
retail	(153)	28.8	19.2	67
service	(272)	23.9	16.6	69
Unincorporated Businesses				
	(356)	20.8	15.2	73
<u>Year Registered</u>				
1982	(74)	20.1	12.9	64
1983	(72)	19.8	15.7	79
1984	(210)	21.9	16.2	74
One person firms	(169)	15.7	11.8	75
With employees	(186)	25.3	18.3	72
Male owners	(259)	21.3	15.6	73
Female owners	(97)	19.6	14.1	72
Older owners (40+)	(129)	24.3	17.9	74
Younger owners (-40)	(220)	18.4	13.2	72
<u>Type of Business</u>				
manufacturing	(47)	16.0	8.8	55
retail	(168)	24.3	18.6	77
service	(198)	18.4	13.9	76

(See Table 37, 39)

TABLE 15

Sources Of Funds

- Incorporated versus Unincorporated Businesses
Based on Businesses Ever Active

	<u>Incorporated</u>		<u>Unincorporated</u>
Base (Unweighted)	(493)		(356)
	%		%
<u>Sources For Start-Up Money</u>			
(Beyond own Money)			
Banks/other financial institutions	28		25
Relatives	9	*	20
Friends	6		11
Other investors	9		6
Partner	10		6
Self-financed/own capital	13		11
Earnings/the business	3		2
Government	a		-
Other	a		1
<u>Sources For Additional Financing</u>			
Base (those needing and successfully raising additional financing)	(203)		(147)
	%		%
Banks/other financial institutions	74	*	60
Relatives	13		18
Friends	6	*	13
Other investors	11	*	5
Partner	2		1
Self-financed/own capital	6		6
Earnings/the business	7		11
Government	1		4
Other	-		1

(See Tables 41, 44)

^a Less than 0.5%.

TABLE 16

Need for Additional Capital

-- Incorporated versus Unincorporated Businesses
Based on Businesses Ever Active

Base (Unweighted)	<u>Incorporated</u> (493) %	<u>Unincorporated</u> (356) %
Have not needed additional capital	46	47
Have needed additional capital, and successfully raised the funds	41	40
and did not raise the additional financing	12	13

(See Tables 42, 43)

TABLE 17

Willingness To Go Into Debt For More Capital

- Incorporated versus Unincorporated Businesses
Based on Businesses Ever Active

	<u>Incorporated</u>		<u>Unincorporated</u>
Base (Unweighted)	(493)		(356)
	%		%
<u>If You Needed More Capital:</u>			
Would go into debt	66	*	61
Would not	31		36
Don't know/refused	3		3

(See Table 35)

TABLE 18

Willingness To Go Into Debt For More Capital

- By Selected Sub-groups

Based on Business Ever Active

	Base <u>Unweighted</u>	Would go Into Debt <u>%</u>
Incorporated Businesses	(493)	66
<u>Year Registered</u>		
1982	(103)	68
1983	(205)	61
1984	(185)	70
One-person firms	(184)	60
With employees	(309)	69
Male owners	(399)	69
Female owners	(94)	53
Older owners (40+)	(212)	64
Younger owners (-40)	(276)	67
<u>Type of Business</u>		
manufacturing	(122)	68
retail	(153)	62
service	(272)	66
Unincorporated Businesses	(356)	61
<u>Year Registered</u>		
1982	(74)	60
1983	(72)	58
1984	(210)	64
One person firms	(169)	60
With employees	(186)	62
Male owners	(259)	62
Female owners	(97)	58
Older owners (40+)	(129)	57
Younger owners (-40)	(220)	63
<u>Type of Business</u>		
manufacturing	(47)	63
retail	(168)	60
service	(198)	62

(See Table 35)

TABLE 19

Use Of A \$25,000 Capital Investment

- Incorporated versus Unincorporated Businesses
Based on Businesses Ever Active

	<u>Incorporated</u>		<u>Unincorporated</u>
Base (Unweighted)	(493)		(356)
	%		%
<u>Would Use Money:</u>			
To purchase or lease equipment	41		45
To hire staff	41		40
To pay down loans	31	*	39
To rent or buy more space	36		42
To purchase inventory	27	*	34
To take part of as income	16		18

(See Table 34)

SECTION D: SIZE/GROWTH EXPECTATIONS

SECTION D: SIZE/GROWTH EXPECTATIONS

Generally these small businesses seem quite divided between those who hope "simply to make a living" and those "who hope to grow into a really big business". However, it is quite clear that the incorporated businesses lean more toward the higher expectations, the unincorporated towards rather low expectations. As will be seen, the actual data seem to support these expectations.

Their general expectations as to the size of the company, are also reflected in terms of expectations for number of employees, and also for their expectations about sales.

It is more generally the case, however, that most companies expect to grow slowly over time. Nevertheless, at the upper extreme, there are between a quarter of the companies (unincorporated firms) and a third of the companies (incorporated firms), who expect "to grow quickly -- at least 50 percent annually".

The greater expectations are more generally held by:

Male owners

Younger owners

Those firms that begin with employees.

There are also variations by type of business, with the retail incorporated businesses and the manufacturing unincorporated businesses having higher expectations.

It is intriguing that those companies interviewed who were registered in 1982, recall themselves as having fairly modest expectations. This may be the result of hard felt experience in the marketplace. However, the surviving incorporated companies form 1982 apparently began with fewer employees; perhaps the overly optimistic companies simply did not survive.

Sales billings in 1984 average about \$150,000 for the incorporated firms and rather less than this \$92,000 for the unincorporated firms. This corresponds to the rather higher expectations held by the incorporated firms.

The horizon for these companies, in terms of a "successful" sales/ billings, is much higher than their current sales and billings. Given that the incorporated firms have currently higher sales, it is understandable that their hopes in terms of "successful" sales and billings are again much higher than for the unincorporated firms. However it may be noted that the horizon of success for the incorporated firms is some 281 percent above current sales, while the horizon for the unincorporated firms is 234 percent. Thus once again the incorporated firms have higher hopes than the unincorporated firms.

Firms with currently higher sales or billings include those firms:

With male owners

With employees

The incorporated firms with a service orientation seem to have rather lower sales and billings.

The perspective on successful sales and billings is generally in correspondence with current sales and billings. One exception is female owners, who have generally lower levels of expectation. Conversely, manufacturing type businesses, whether incorporated or unincorporated, tend to have a higher degree of expectation.

As noted earlier, the numbers of male and female owners is about in the ratio of 4 to 1 (see Table 3). Thus it is intriguing to note that close to half of the employees of these firms, other than the owners, are female. This is true for both incorporated and unincorporated firms.

There is a difference in these firms in terms of the age distribution. The unincorporated firms are more likely to have younger employees.

Both incorporated and unincorporated firms have about 75 to 80 percent of their employees being full time.

From the time of their start up, these firms have more than doubled in terms of the numbers of employees. The increases are generally consistent with the initial distribution as to sex , age and full time/part time status. The only exception to this is that the unincorporated firms are more likely to increase by taking in parttime as opposed to full time help.

Within the time span of this study, about 1 in 3 unincorporated firms eventually incorporates. This occurs more often among more firms with older owners, and those with employees.

TABLE 20

Growth Expectations

-- Incorporated versus Unincorporated Businesses

Based on businesses ever active

	<u>Incorporated</u>		<u>Unincorporated</u>
Base (unweighted)	(493)		(356)
	%		%
<u>Expectations:</u>			
<u>At Time Started Business:</u>			
Simply to make a living	38	*	(52)
Somewhere in-between/midsize	5		5
To grow into a really big business	(55)	*	43
 (Based on Companies Currently Active)			
<u>For The Future, About Number of Employees:</u>	(491)		(354)
	%		%
To decline	2		1
To remain at about start-up level	(13)	*	(23)
To grow slowly over time	(63)	*	54
To grow quickly, at least 50% annually	20		15
Don't know/not stated	2		7
 <u>For The Future, About Sales</u>			
	%		%
To decline	3		1
To remain at about start-up level	3		7
To grow slowly over time	58		62
To grow quickly, at least 50% annually	33	*	26
Don't know/not stated	3		4

(See Tables 16, 28, 48)

TABLE 21

Growth Expectations

-- By Selected Sub-groups
Based on Businesses Ever Active

Percent Hoping
to Grow Into A
Really Big Business

	Base Unweighted	%
Incorporated Businesses	(493)	55
<u>Year Registered</u>		
1982	(103)	49
1983	(205)	58
1984	(185)	57
One-person firms	(184)	50
With employees	(309)	59
Male owners	(399)	57
Female owners	(94)	48
Older owners (40+)	(212)	50
Younger owners (-40)	(276)	60
<u>Type of Business</u>		
manufacturing	(122)	55
retail	(153)	61
service	(272)	51
Unincorporated Businesses	(356)	43
<u>Year Registered</u>		
1982	(74)	34
1983	(72)	44
1984	(210)	46
One person firms	(169)	40
With employees	(186)	45
Male owners	(259)	46
Female owners	(97)	33
Older owners (40+)	(129)	38
Younger owners (-40)	(220)	45
<u>Type of Business</u>		
manufacturing	(47)	52
retail	(168)	42
service	(198)	41

(See Table 16)

TABLE 22

Sales/Billings: 1984 and "Successful"
 - Incorporated versus Unincorporated Businesses
 Based on Businesses Currently Active

	<u>Incorporated</u>	<u>Unincorporated</u>
Base (Unweighted)	(491)	(354)
	%	%
<u>1984 Sales/Billings</u>		
Under \$25,000	5	14
25 - 50,000	5	18
50 - 100,000	12	20
100 - 200,000	18	16
200,000 +	45	15
Refused/Don't know	14	17

Average ('000's)	\$150.	*	\$92.
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<u>"Successful" Sales/Billings</u>	%	
Under \$25,000	1	1
25 - 50,000	2	12
50 - 100,000	7	16
100 - 200,000	15	23
200 - 500,000	21	17
500 - 1,000,000	15	9
1,000,000+	31	9
Refused/Don't know	8	14

Average ('000's)	\$572.	*	\$307.
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TABLE 23

Sales/Billings: 1984 and "Successful"
 - By Selected Sub-groups
 Based on Currently Active Businesses

		Average in '000's		
	Base Unweighted	1984 Sales/ Billings \$	"Success- ful" Sales/ Billings \$	Ratio Success to Current #
Incorporated Businesses				
	(491)	150	572	3.8
<u>Year Registered</u>				
1982	(103)	158	594	3.8
1983	(203)	153	591	3.9
1984	(185)	143	538	3.8
One-person firms	(183)	136	517	3.8
With employees	(308)	(159)	(605)	3.8
Male owners	(397)	(155)	(608)	3.9
Female owners	(94)	129	414	3.2
Older owners (40+)	(211)	148	549	3.7
Younger owners (-40)	(275)	152	586	3.9
<u>Type of Business</u>				
manufacturing	(121)	162	(671)	4.1
retail	(152)	155	581	3.7
service	(272)	144	520	3.6
Unincorporated Businesses				
	(354)	92	307	3.3
<u>Year Registered</u>				
1982	(74)	97	347	3.6
1983	(72)	87	273	3.1
1984	(208)	93	309	3.3
One person firms	(167)	76	236	3.1
With employees	(186)	(106)	(366)	3.5
Male owners	(258)	(97)	(338)	3.5
Female owners	(96)	76	216	2.8
Older owners (40+)	(128)	95	294	3.1
Younger owners (-40)	(219)	90	321	3.6
<u>Type of Business</u>				
manufacturing	(46)	87	339	3.9
retail	(167)	88	301	3.4
service	(197)	95	300	3.2

TABLE 24

Number of Employees

- Incorporated versus Unincorporated Businesses
Based on Businesses Ever Active

	Average Number of Employees	
	Incorporated	Unincorporated
Base (Unweighted)	(493)	(356)
	#	#
<u>Total At Start Up</u>	3.44	* 1.87
Number of Women	1.59	0.83
Number of Men	1.85	1.04
Percent women	46%	44%
Number under 30	1.57	1.06
Number over 30	1.87	0.81
Percent under 30	46%	* 57%
Number of full-time	2.76	1.43
Number of part-time	0.68	0.44
Percent full-time	80%	76%
Base (Currently active businesses)	(491)	(354)
	#	#
<u>Total Currently</u>	7.52	3.75
Number of women	3.26	1.64
Number of men	4.26	2.11
Percent women	43%	44%
Number under 30	3.55	2.19
Number over 30	3.97	1.56
Percent under 30	47%	* 58%
Number of full-time	5.96	2.43
Number of part-time	1.56	1.32
Percent full-time	79%	* 65%
<u>Percent Increase From Start-Up</u>	%	%
<u>Total</u>	+119	+101
Number of women	+105	+ 98
Number of men	+130	+103
Number under 30	+126	+107
Number over 30	+112	+ 93
Number of full-time	+116	+ 70
Number of part-time	+129	+300

(See Tables 19-26)

TABLE 25A

Actual Growth

- Trends over time

Based on Businesses Ever Active

	Incorporated			Unincorporated		
	1982 (103) #	1983 (205) #	1984 (185) #	1982 (74) #	1983 (72) #	1984 (210) #
Number of employees at start up	2.1	3.0 *	4.7	1.8	1.8	2.0
Number of employees currently	6.1	7.4	8.6	3.0	3.8	4.1
Ratio Current to Startup	2.9	2.5	1.8	1.7	2.1	2.1
	\$	\$	\$	\$	\$	\$
First years billings ('000's)	108	119	143	66	57	93
1984 billings ('000's)	158	153	143	97	87	93
Ratio 1984 to First year	1.5	1.3	1.0	1.5	1.5	1.0

(See Tables 19, 23, 45, 46)

TABLE 25B

The Incorporation of Unincorporated Businesses

-- By Selected Sub-groups

Based on Currently Active Unincorporated Businesses

		Percent Which Eventually Incorporated <u>%</u>
Total	(354)	<u>31</u>
<u>Year Registered</u>		
1982	(74)	27
1983	(72)	36
1984	(208)	<u>29</u>
One person firms	(167)	26
With employees	(186)	<u>(35)</u>
Male owners	(258)	32
Female owners	(96)	<u>28</u>
Older owners (40+)	(128)	<u>(39)</u>
Younger owners (-40)	(219)	27
<u>Type of Business</u>		
manufacturing	(46)	34
retail	(167)	29
service	(197)	29

(See Table 9)

SECTION E: PROBLEMS/DIFFICULTIES

SECTION E: PROBLEMS/DIFFICULTIES

The major problem faced by these firms according to their own report is finding qualified or skilled workers. This corresponds to the actual data on numbers of employees, indicating, that these firms have more than doubled since the time of their start up.

A second order of problem particularly to the incorporated firms, is the paperwork involved by the government. The actual extent of time spent on such paperwork is reviewed below.

For both incorporated and unincorporated firms, the next general level of concern is "making the business work" -- that is to say, making it profitable and finding customers.

Generally speaking the incorporated firms seem to have more problems or at least more to complain about.

The only area in which the unincorporated firms are more concerned is in terms of preparing financial plans. As noted earlier, the unincorporated firms are rather less likely to have had or now have a formal business plan.

In actuality the incorporated firms report spending about 10 hours a month in dealing with government forms. This is higher than for the unincorporated firms at 7 1/2 hours. However, only a minority of these hours are actually done by the proprietor. The great majority is done by employees.

One of the problems and difficulties acknowledged by these firms has to do with the taxes whether provincial, federal, or municipal. Correspondingly, about two-thirds of these firms are aware of the corporate income tax exemption. Of the firms that are aware, only about half have actually used the exemption.

The great majority of these firms in accord with their relative lack of awareness do not know how much money they saved from the corporate income tax exemption. Of the small number of firms that do remember, the average reported saved is about \$17,500.

They report having used their savings to both purchase or lease equipment and also to have purchased inventory.

Hiring staff is down at the third rank position, reported by a third of the companies who actually recall what they did with their monies. This compares to the relatively higher positioning of this option when the companies were considering what they would do with a \$25,000 capital investment.

The item that seems to move up in actuality, although it forms a smaller part of a conceptual plan, is the issue of purchasing inventory. This is presumably a fact and need of day to day business life as opposed to what a company would like to do if they had a broad scheme to work from.

TABLE 26

Problems/difficulties in Starting and Running Business

-- Incorporated versus Unincorporated Businesses

Based on business every active

Base (Unweighted)	<u>Percent With Problem (Major Problem)</u>			
	<u>Incorporated</u>		<u>Unincorporated</u>	
	(493)		(356)	
	%		%	
Possible <u>Problems/Difficulties</u>				
Finding qualified or skilled workers	60	(35)	55	(37)
Dealing with paperwork required by government	53	(20)	*	42 (14)
Making the business profitable	52	(20)		55 (19)
Finding customers	44	(14)		44 (14)
Municipal charges and taxes	44	(18)	*	36 (16)
Getting debt financing	41	(20)	*	33 (16)
The Provincial tax system	39	(17)	*	32 (10)
The Federal tax system	38	(18)	*	29 (12)
Raising equity capital	37	(18)		34 (14)
Extra charges against your payroll like Unemployment Insurance, Workers' Compensation, etc.	36	(13)	*	24 (8)
Your own lack of specific business skills	35	(6)		36 (5)
Preparing marketing plans	28	(7)		24 (5)
Preparing financial plans	25	(6)	*	32 (9)
Dealing with labour laws	23	(6)	*	13 (2)
Getting information on how to start a new business	20	(5)		22 (5)

(See Table 18)

TABLE 27

Filling Out Government Forms
 - Incorporated versus Unincorporated Businesses
 Based on Total Businesses

	<u>Incorporated</u>		<u>Unincorporated</u>
Base (Unweighted)	(501)		(360)
	%		%

Time Spent Filling Out Government Forms:

Total Number of Hours Per Month

0	2		3
2	6		7
3-4	10		7
5-8	10		9
Longer	27	*	18

Average Number of Hours	10.0	*	7.5
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Number of Hours Spent Personally

0	40	*	32
2	28	*	38
3-4	11		10
5-8	9		10
Longer	10		8

Average Number of Hours	2.3		2.3
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Number of Hours Spent By Employees

0	19	*	27
2	16		20
3-4	12		6
5-8	11		9
Longer	19	*	11

Average Number of Hours	7.5	*	5.2
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(See Tables 60-62)

TABLE 28

Corporate Income Tax Exemption

- Incorporated versus Unincorporated Businesses

Based on Businesses Currently Active, Now Incorporated

	<u>Incorporated</u>	<u>Unincorporated</u>
Base (Unweighted)	(491)	(107)
	%	%
Aware of exemption	72	64
Have used exemption	40	31
(As percent of those aware)	(56%)	(48%)
Base: those who have used exemption	(196)	(34)**
	%	%
<u>Amount Saved In 1984</u>		
Under \$5000	12	9
More	12	6
Don't know	76	85
Average (in '000's)	\$17.5**	NA

(See Tables 53-56)

** Caution: small sample

NA: not available--too small a base.

TABLE 29

Results Of Taking Corporate Income Tax Exemption

Based on Incorporated Businesses Currently Active, Who Have Used Income Tax Exemption

	<u>Percent of Total</u>	<u>Percent of Companies Recalling Distribution of Funds Saved**</u>
Base (Unweighted)	(196)	(155)
	%	%
Purchased or leased equipment	38	48
Purchased inventory	29	37
Hired staff	26	33
Paid down loans	20	25
Spent money on research and development	20	25
Took part as income	16	20
Rented or bought more space	11	14
Don't know/not stated	21	
 <u>Average number of employees hired among those hiring more staff</u>		
Full-time	2.9	
Part-time	0.5	

(See Tables 57-59)

 ** ie, recalculated excluding "Don't know/not stated"

SECTION F: ATTITUDES

SECTION F: ATTITUDES

Generally speaking these companies are in favour of all of the issues proposed -- free trade, equal pay legislation, compulsory arbitration of first labour contracts and affirmative action for various minorities. There are no particular differences between the incorporated and unincorporated firms in this regard. Attitudes towards free trade are in all cases about 50 percent. However, it is the retail incorporated firms and the manufacturing unincorporated business that seem to be relatively more positive.

The affirmative action legislation was described both in the specific area of equal pay for work of equal value with regard to women, and also in a more general sense for the advancement of women, ethnic minorities and the handicapped. The former received much more positive endorsement than the latter. Interestingly, while female owners see the relevance of equal pay for women and endorse this item more strongly, they are only at about the same level as the males in terms of the broader endorsement of affirmative action to advance "women, ethnic minorities and the handicapped".

Compulsory arbitration is here defined in very specific terms and the reader is referred to the exact wording of the item with which the respondents were asked to agree or disagree. Given this explicit wording, there is very little difference by different sub-groups in terms of endorsement of this issue.

TABLE 30

Agreement With Possible Legislation
 -- Incorporated versus Unincorporated Businesses
 Based on Businesses Ever Active

	Percent Agreeing With Each Statement	
	Incorporated (493) %	Unincorporated (356) %
Free trade with the United States would benefit your company.	46 (58) ^a	48 (58) ^a
The Ontario Government should pass legislation to make sure that women and men in the private sector receive equal pay for work of equal value	82 (86)	82 (87)
The Ontario Government should pass a law requiring compulsory arbitration of first labour contracts. This means that if a union organizes in your company, and you and the union are unable to agree on the terms of your first contract, the contract would have to be settled by an impartial arbitrator.	49 (58)	50 (60)
The government should legislate affirmative action to advance women, ethnic minorities, and the handicapped in the workplace.	60 (65)	64 (69)

(See Table 36)

^a Percent of those with an opinion.

SECTION D: SIZE/GROWTH EXPECTATIONS

- By Selected Sub-groups
 Based on Business Ever Active

	Base Unweighted	Percent Agreeing %
Incorporated Businesses	(493)	46
<u>Year Registered</u>		
1982	(103)	43
1983	(205)	(50)
1984	(185)	44
One-person firms	(184)	43
With employees	(309)	48
Male owners	(399)	47
Female owners	(94)	42
Older owners (40+)	(212)	45
Younger owners (-40)	(276)	47
<u>Type of Business</u>		
manufacturing	(122)	43
retail	(153)	(53)
service	(272)	46
Unincorporated Businesses	(356)	48
<u>Year Registered</u>		
1982	(74)	41
1983	(72)	(56)
1984	(210)	46
One person firms	(169)	45
With employees	(186)	51
Male owners	(259)	49
Female owners	(97)	43
Older owners (40+)	(129)	45
Younger owners (-40)	(220)	49
<u>Type of Business</u>		
manufacturing	(47)	(58)
retail	(168)	48
service	(198)	45

(See Table 36)

* Statement read:

Free trade with the United States would benefit your company.

TABLE 32

Attitudes Towards Affirmative Action Legislation* **

- By Selected Sub-groups
Based on Currently Active Business

	Base Unweighted	Percent Agreeing	
		Equal Pay For Women*	Women etc. In Workplace**
		%	%
Incorporated Businesses (493)		<u>82</u>	<u>60</u>
<u>Year Registered</u>			
1982 (103)		83	61
1983 (205)		82	62
1984 (185)		82	58
One-person firms (184)		81	56
With employees (309)		83	63
Male owners (399)		81	60
Female owners (94)		(88)	62
Older owners (40+) (212)		82	57
Younger owners (-40) (276)		83	64
<u>Type of Business</u>			
manufacturing (122)		80	61
retail (153)		86	63
service (272)		81	62
Unincorporated Businesses (356)		<u>82</u>	<u>64</u>
<u>Year Registered</u>			
1982 (74)		84	61
1983 (72)		79	58
1984 (210)		82	69
One person firms (169)		81	64
With employees (186)		82	64
Male owners (259)		79	62
Female owners (97)		(90)	67
Older owners (40+) (129)		78	64
Younger owners (-40) (220)		84	65
<u>Type of Business</u>			
manufacturing (47)		84	63
retail (168)		87	(73)
service (198)		79	60

(See Table 36)

* Statement read: The Ontario Government should pass legislation to make sure that women and men in the private sector receive equal pay for work of equal value

** Statement read: The government should legislate affirmative action to advance women, ethnic minorities, and the handicapped in the workplace.

TABLE 33

Attitudes Towards Compulsory Arbitration*

- By Selected Sub-groups

Based on Business Ever Active

	Base Unweighted	Percent Agreeing* %
Incorporated Businesses	(493)	<u>49</u>
<u>Year Registered</u>		
1982	(103)	45
1983	(205)	47
1984	(185)	(53)
One-person firms	(184)	45
With employees	(309)	51
Male owners	(399)	47
Female owners	(94)	54
Older owners (40+)	(212)	48
Younger owners (-40)	(276)	49
<u>Type of Business</u>		
manufacturing	(122)	47
retail	(153)	(55)
service	(272)	49
Unincorporated Businesses	(356)	<u>50</u>
<u>Year Registered</u>		
1982	(74)	50
1983	(72)	44
1984	(210)	(55)
One person firms	(169)	49
With employees	(186)	52
Male owners	(259)	52
Female owners	(97)	47
Older owners (40+)	(129)	51
Younger owners (-40)	(220)	50
<u>Type of Business</u>		
manufacturing	(47)	46
retail	(168)	47
service	(198)	52

(See Table 36)

* Statement read: The Ontario Government should pass a law requiring compulsory arbitration of first labour contracts. This means that if a union organizes in your company, and you and the union are unable to agree on the terms of your first contract, the contract would have to be settled by an impartial arbitrator.

SECTION G: OTHER ISSUES

TABLE 34

Type of Business (Self Description)
- Based on Total Sample

(Unweighted)	Type of Business (Predefined Categories)					
	Manufacturing		Retail		Services	
	Inc	Uninc	Inc	Uninc	Inc	Uninc
	(124)	(48)	(155)	(169)	(274)	(200)
	%	%	%	%	%	%
<u>Self-description</u>						
Manufacturing	(65)	(48)	8	9	2	4
Construction	(14)	9	1	3	5	9
Graphic art/design	2	(15)	1	4	4	4
Wholesale trade	1	-	(28)	9	2	1
Misc. retail	2	-	(13)	(24)	1	2
Apparel & accessory stores	-	6	9	10	a	2
Sales & Service	1	-	5	1	5	4
Computer Sales	1	3	5	1	1	-
Business services	8	(15)	3	3	(28)	(18)
Personal services	-	1	3	2	(12)	(22)
Automotive repair/ service/garage	-	-	5	5	(8)	(14)
Eating & drinking places	-	-	4	6	6	8
Financing/insurance/ Investment companies	-	-	1	-	7	2
Video/TV services	-	2	3	4	3	2
Technical/professional	1	-	-	-	3	3
Real Estate	-	-	1	-	5	-
Building/Home construction	3	-	1	-	1	1
Travel agency	-	-	2	1	4	1
TV/video production	-	-	-	-	1	4

* Less than 0.5 percent.

(See Table 36)

TABLE 35

Services to Businesses
 -- By Selected Sub-groups
 Based on Total Businesses Ever Active

Percent Offering
Business Services

Incorporated Businesses (501)		(17)
<u>Year Registered</u>		
1982	(103)	18
1983	(209)	16
1984	(189)	18
One-person firms	(184)	20
With employees	(309)	16
Male owners	(405)	17
Female owners	(96)	18
Older owners (40+)	(215)	19
Younger owners (-40)	(281)	16
<u>Type of Business</u>		
manufacturing	(124)	8
retail	(155)	3
service	(274)	(28)
Unincorporated Businesses (360)		12
<u>Year Registered</u>		
1982	(74)	(19)
1983	(73)	11
1984	(213)	9
One person firms	(169)	14
With employees	(186)	11
Male owners	(262)	13
Female owners	(98)	10
Older owners (40+)	(129)	14
Younger owners (-40)	(224)	11
<u>Type of Business</u>		
manufacturing	(48)	15
retail	(169)	13
service	(200)	18

(See Table 4)

TABLE 36

Survival

- Based on Total Businesses

	Incorporated			Unincorporated		
	1982 \$	1983 \$	1984 \$	1982 \$	1983 \$	1984 \$
Total names examined	2810	2091	6748	1604	3970	3805
Percent with 1985 phone numbers	21.2	25.7	29.6	24.9	32.7	33.1
Base: Total Business						
Interviewed	(103)	(209)	(189)	(79)	(73)	(213)
	%	%	%	%	%	%
With original owner	98	97	97	99	97	99
With new owner	2	3	3	1	3	1
Business never active	-	1	1	-	1	-
Business not active yet	-	1	2	-	-	1
Business was active	-	1	-	-	-	1
Business still in operation	100	97	98	100	99	98

(Contact Data Tables 3, 6)

APPENDIX

- Contact Report
- Weighting Scheme
(for combining across 3 sampled years)
- The Questionnaire

Total numbers attempted (as existing in current telephone records)	<u>6,061</u>	
Not in service	384	
No answer/busy/ required person not at home/not available after 3 calls	2,973	
<u>Total Contacts</u>	<u>2,704</u>	<u>%</u>
Language, illness	75	3
Refused	1,275	47
<u>Total Cooperative Contacts</u>	<u>1,354</u>	<u>50</u>
Disqualified:		
Not the actual company registered	198	7
A publicly traded company	12	a
Owner/new owner not available	330	12
Discards (incomplete)	14	1
Total interviews	<u>800*</u>	<u>30</u>

a less than 0.5 percent

* due to insufficient interviews in 1982, and 1983, an additional 63 interviews were later completed with businesses registered in these years.

WEIGHTING SCHEME

To combine across the 3 years sampled in the current study, it was necessary to calculate the estimated number of qualifying (i.e., still existing) names in the total 3 year period, separately for unincorporated and incorporated businesses.

The facing table begins with the sample of names supplied to Creative Research, as provided through a sample of issues of the Teela Marketing Digest. These issues represent only a proportion of all the issues published each year by the Teela Marketing Digest. The total number of issues per year is estimated as the total number of working days in an 11 month year (i.e., $365 \times 11/12 \times 5/7$), producing factor B to project each year's sample to a full year.

Factor "C" is an estimate of the proportion of companies actually surviving into 1985 to be interviewed. This is straight-forwardly determined according to the number of companies as originally registered that may still be found in 1985 telephone directories.

Multiplying the number of names listed, as provided to Creative Research, times factors "B" and "C" produces the estimated number of qualifying names in the universe, and thus allows calculation of a weighting scheme for combining across the 3 years sampled (see bottom line of facing table).

It should be noted that the total number of estimated surviving companies, as calculated in the facing table, is strictly an estimate of the businesses registered and listed in the Teela Marketing Guide. Companies registered but not included in the Guide would constitute an additional population of registered businesses.

WEIGHTING SCHEME

	Unincorporated				Incorporated			
	1982	1983	1984	Total	1982	1983	1984	Total
Total listed names (A)	4,434	3,936	6,748	15,118	4,498	4,648	5,997	15,143
Total selected names	2,810	2,091	6,748	11,649	1,604	3,970	3,805	9,379
# in 1985	597	537	1,995	3,129	399	1,297	1,261	2,959
% (C)	21.2%	25.7%	29.6%	26.9%	24.9%	32.7%	33.1%	31.5%
# issues provided	134	110	148	392	134	110	148	392
Weighting factor to full year (B) (365 X 11/12 X 5/7)	1.78	2.17	1.61	NA	1.78	2.17	1.61	NA
Estimated # of qualifying names in universe AXBXC	1,673	2,195	3,216	7,084	1,994	3,298	3,196	8,488
As % of 3 year total	24%	31%	45%	100%	23%	39%	38%	100%

NA = not appropriate

SMALL BUSINESS STUDY

CARD 6-1

FILL IN FROM LIST ONCE CONTACT HAS BEEN MADE.

Incorporated 7-1

Unincorporated 2

Year: 1982 8-1

1983 2

1984 3

NAME OF BUSINESS: _____

Hello, I'm _____ with the Creative Research Group, a national marketing research company. We're conducting a brief survey today on new businesses in Ontario. Would it be convenient to talk with you at this time?

(IF NO, DETERMINE CONVENIENT TIME FOR CALLBACK:

DATE: _____ TIME: _____)

- A. We're calling people who have registered a business in the past 3 years. Is this in fact (READ NAME OF BUSINESS)?

Yes [] No [] - RECORD, THANK & ERASE

- B. (IF INCORPORATED COMPANY)

And is this company a publicly traded company, listed on the stock exchange?

Yes [] RECORD, THANK &
ERASE

No [] CONTINUE

- C. I'm supposed to speak to someone who was an owner or partner in the business at the time that it was registered. Would you be one of those persons? (IF NO:) Could I speak to one of those persons?

Yes 9-1 No

2 Is there perhaps a new owner
for the business, that
I could speak to?

Yes 10-1 CONTINUE WITH NEW
OWNER

No [] RECORD, THANK
AND ERASE

1. Could you please tell me what type of business you registered? (that was registered?)

11-

12-

2. Is that a....

Manufacturing? 13-1

Retail? 2

or

Service-type business? 3

Other (SPECIFY)

- 3a) Which of the following statements best describes the status of the business you registered? (READ EACH)

That business was never active and probably never will be 14-1

That business is not active but probably will be in the near future 2

That business was active but is no longer operational 3

That business is still in operation today ☒ 4

REFUSED 9

- 3b) (IF 1, 2, OR 3 AT Q.3)
Could you please tell me why that business is not active now?
(VERBATIM, PROBE)

15-

16-

(IF 1 OR 2 AT Q.3, SKIP TO Q.23)
(IF 3 AT Q.3, SKIP TO Q.6)

(IF "4" AT Q.3)

4. Is this business your primary source of income?

Yes 17-1 No 2

5. (UNINCORPORATED FIRMS ONLY) Did you eventually incorporate the business?

Yes 18-1 No 2

- 6a) Before starting this business, had you worked in this type of business before?

Yes 19-1 No 2

- 6b) (IF NO) What experience if any did you have with this type of business before? (VERBATIM)

20-

21-

- 7a) Before starting this business, had you had any experience in actually running a business?

Yes 22-1 No 2

- 7b) What was your job before you started this business? I don't mean the name of the company, but just the type of job and type of company.

(TYPE OF JOB)

(TYPE OF COMPANY)

23-

8a) Which of the following reasons comes closest to describing why you decided to start this business? (READ EACH)

- | | |
|--|-------|
| To make money? | 24-1 |
| You had relevant previous experience? | 2 |
| To be your own boss? | 3 |
| Economic necessity? | 4 |
| You always wanted to run a business? | 5 |
| You saw the need for the product or service? | 6 |
| OR Something else? (SPECIFY) | _____ |
| | _____ |

8b) At the time you started this business

- | | |
|--|---------|
| Did you hope this would grow into a really big business? | OR 25-1 |
| Did you aim simply to make a living for yourself? | 2 |

9. Did you speak to any of the following kinds of people before starting the business: (READ EACH)

	<u>Yes</u>	<u>No</u>
Someone else in the same sort of business?	26-1	2
A supplier to the business?	27-1	2
A lawyer?	28-1	2
An accountant?	29-1	2
A representative of a bank or other financial institution?	30-1	2
Someone in the government?	31-1	2
Someone in market research?	32-1	2
Anyone else? (VERBATIM)		

33-

10. I am going to read you a list of problems and difficulties other business owners have told us they encountered in starting up and running their own businesses. For each one, please tell me whether you have encountered that type of difficulty or problem. Let's start with _____. Has that been a major problem, a minor problem or not a problem at all? (BEGIN WITH * ITEM) (READ EACH)

	Major Problem	Minor Problem	Not a Problem at all
Dealing with labour laws?	34-3	2	1
Getting debt financing?	35-3	2	1
Raising equity capital?	36-3	2	1
Getting information on how to start a new business?	37-3	2	1
Finding customers?	38-3	2	1
The Provincial tax system?	39-3	2	1
The Federal tax system?	40-3	2	1
Finding qualified or skilled workers?	41-3	2	1
Dealing with paperwork required by government?	42-3	2	1
Your own lack of specific business skills?	43-3	2	1
Preparing financial plans?	44-3	2	1
Preparing marketing plans?	45-3	2	1
Making the business profitable?	46-3	2	1
Municipal charges and taxes?	47-3	2	1
Extra charges against your payroll like Unemployment Insurance, Workers Compensation, etc.?	48-3	2	1

- 11a) Other than yourself and any partners you may have had, how many employees did you have when you initially set up your business? _____ 49-
_____ 50-
_____ 51-
- 11b) How many of your employees were female? _____ 52-
_____ 53-
- 11c) How many were under the age of 30? _____ 54-
_____ 55-
- 11d) And how many were full-time employees? _____ 56-
- 12a) (IF 4 AT Q.3)
Again, excluding yourself and any partners you may have, how many employees do you currently have? _____ 57-
_____ 58-
_____ 59-
- 12b) How many are female? _____ 60-
_____ 61-
- 12c) How many are under the age of 30? _____ 62-
_____ 63-
- 12d) And how many are full-time employees? _____ 64-

13a) Do you have written job descriptions for all, some, or none of your employees?

All	65-3
Some	2
None	1

13b) Thinking of the future, which of these statements do you think best applies to your company? (READ EACH)

The number of employees will decline	66-1
The number of employees will remain at about the start-up level	2
The number of employees will grow slowly over time, or	3
The number of employees will grow quickly, increasing at least 50 percent annually?	4

14a) When you started your business, were you working out of your home, from rented business space or had you bought space for your business?

14b) (IF 4 AT Q.3)
And how about now?

	(a)	(b)
Out of own home	67-1	68-1
Rented business space	2	2
Bought space for business	3	3
Other (SPECIFY)		

15a) Did you have a formal business plan at the time you started your business?

Yes	69-1	No	2
-----	------	----	---

15b) (IF 4 AT Q.3)
And do you have a business plan now?

Yes	70-1	No	2
-----	------	----	---

16. At the time of your business start-up (READ EACH):

	<u>Yes</u>	<u>No</u>
Did you keep financial records?	71-1	2
Did you develop a financial statement?	72-1	2
Did you talk to financial institutions about getting financing?	73-1	2
Did you obtain a loan to help start the business?	74-1	2
Did you consider equity financing, where someone basically buys a share in the company?	75-1	2

CARD 6-2

- 17a) Assume that someone wanted to invest \$25,000 in your business today. How likely would you be to use it in each of the following ways? Would you definitely, probably, probably not, or definitely not use the money to: (READ LIST)

	<u>Definitely Would</u>	<u>Probably Would</u>	<u>Probably Would Not</u>	<u>Definitely Would Not</u>	<u>DON'T KNOW</u>
Purchase inventory?	7-5	4	2	1	3
Purchase or lease equipment?	8-5	4	2	1	3
Hire staff?	9-5	4	2	1	3
Pay down loans?	10-5	4	2	1	3
Rent or buy more space?	11-5	4	2	1	3
Take part of it as income?	12-5	4	2	1	3

- 17b) If you needed more capital, would you be willing to go into debt to get the it?

Yes 13-1 No 2

18. Please tell me whether you agree or disagree with each of the following statements. (READ EACH)

	<u>Agree</u>	<u>Disagree</u>
Free trade with the United States would benefit your company?	14-2	1
The Ontario Government should pass legislation to make sure that women and men in the private sector receive equal pay for work of equal value?	15-2	1
The Ontario government should pass a law requiring compulsory arbitration of first labour contracts? This means that if a union organizes in your company, and you and the union are unable to agree on the terms of your first contract, the contract would have to be settled by an impartial arbitrator.	16-2	1
The government should legislate affirmative action to advance women, ethnic minorities, and the handicapped in the workplace?	17-2	1

19a) Now just for classification purposes, please tell me, which of the following most closely represents the original amount of money that was invested in the start-up of your business? (READ LIST)

Less than \$5,000	18-1
\$5,000 - \$11,000	2
\$11,000 - \$21,000	3
\$21,000 - \$50,000	4
\$50,000 and over	5
REFUSED	9

19b) And approximately how much of that was your own money? (READ LIST)

Less than \$5,000	19-1
\$5,000 - \$11,000	2
\$11,000 - \$21,000	3
\$21,000 - \$50,000	4
\$50,000 and over	5
REFUSED	9

19c) From what sources did you get the rest of your start-up funds? (READ EACH)

	<u>Yes</u>	<u>No</u>
From friends?	20-1	2
From relatives?	21-1	2
From other investors?	22-1	2
From bank or other financial institutions?	23-1	2
From somewhere else? (SPECIFY)		
_____	24-	

19d) Have you found that you have needed additional capital since that time?

Yes	25-1	No	2 GO TO Q.20
-----	------	----	--------------

19e) (IF YES) Have you in fact been successful in raising additional financing?

Yes	26-1	No	2
-----	------	----	---

19f) (IF YES) And from what source or sources did you raise that additional financing? (READ EACH)

From friends?	27-1
From relatives?	2
From other investors?	3
From bank or other financial institutions?	4
From somewhere else? (SPECIFY)	

20a) (IF 4 AT Q.3)

Which of the following best represents the value of your total estimated sales or billings for your 1984 fiscal year? (READ EACH):

Under \$25,000	28-1
\$25,000 - \$50,000	2
\$50,000 - \$100,000	3
\$100,000 - \$200,000	4
\$200,000 & over	5
REFUSED	9

20b) (IF FIRM BEGUN IN 1983 OR 1982)

And which of the following best represents the value of your total estimated sales or billings in your first full year of business? (READ EACH):

Under \$25,000	29-1
\$25,000 - \$50,000	2
\$50,000 - \$100,000	3
\$100,000 - \$200,000	4
\$200,000 & over	5
REFUSED	9

21. Looking to the future, what level of annual sales or billings would your business have to bring in, for you to consider the business a success? (DO NOT READ):

Under \$25,000	30-1
\$25,000 - \$50,000	2
\$50,000 - \$100,000	3
\$100,000 - \$200,000	4
\$200,000 - \$500,000	5
\$500,000 - \$1,000,000	6
\$1,000,000 and over	7

22. Again thinking of the future, which of the following statements do you think best applies to your company? (READ EACH)

Sales will decline	31-1
Sales will remain at about the start-up level	2
Sales will grow slowly over time, OR	3
Sales will grow quickly, increasing at least 50 percent annually?	4

EVERYONE

23. Was this business your first attempt at starting a business?

Yes 32-1 SKIP TO Q.26 No 2

24a) (IF NO) How many other businesses did you start before this one?

33- 34-

24b) And how many businesses have you started since this one?

35- 36-

25. (IF NON-ZERO AT 24a or b) How many of all these other businesses are still in operation today?

37- 38-

FOR INCORPORATEDS ONLY, OTHERS GO TO Q.27

(If "4" at Q.3)

26a) Are you aware that small firms are eligible for an Ontario corporate income tax exemption?

Yes 39-1 No 2 -- GO TO Q.27

26b) (IF YES) Has your firm taken advantage of this exemption?

Yes 40-1 No 2 -- GO TO Q.27

26c) (IF YES) Approximately how much was your firm able to save in your 1984 fiscal year because of this exemption? (RECORD TO NEAREST HUNDRED DOLLARS)

\$ _ _ _ , _ _ _ . 41 / 46

26d) As a result, did your firm (READ EACH):

	<u>Yes</u>	<u>No</u>
Purchase inventory?	47-1	2
Purchase or lease equipment?	48-1	2
Pay down loans?	49-1	2
Rent or buy more space?	50-1	2
Take part of it as income?	51-1	2
Spend money on research and development?	52-1	2
Hire staff?	53-1	2

How many full-time employees?

— —

54- 55-

And how many part-time employees?

— —

56- 57-

EVERYONE

27a) How much time do you think you personally spend each month, on average, filling out some kind of government form? (DO NOT READ)

None	58-1
Up to 1 hour	2
1-2 hours	3
2-4 hours	4
4-8 hours	5
Longer than 8 hours per month	6

27b) If people who work for you do some or all of this work--that is, filling out government forms--how many hours in total do you think it takes them each month?

— — — hours. 59-
60-
61-

BASIC DATA

These last few questions are just to help us classify our respondents.

28a) RECORD SEX: Male 62-1
Female 2

28b) In what year were you born?

19 _ _ 63-
64-

29. What was the last year of formal education that you completed?

Elementary/public school	65-1
Partial high school	2
Graduated high school	3
Partial community college or technical school	4
Graduated community college or technical school	5
Partial university	6
Graduated university	7
REFUSED	9

30. Was the total income of your household before taxes in 1984 under \$35,000 or \$35,000 or more

Under \$35,000

66-Y (b) Was it under \$25,000 or \$25,000 or more?	
Under \$25,000	1
\$25,000 or more	2

\$35,000 or more

X (c) Was it under \$50,000 or \$50,000 or more?	
Under \$50,000	4
\$50,000 or more	5

DON'T KNOW 8

REFUSED 9

31a) One last question. Are you a member of a visible minority group?

Yes 67-1 No 2

31b) (IF YES) Which group would that be? (VERBATIM)

68-

We may want to ask more questions of business owners at a later time, 6 months or a year from now. would you mind if we contacted you at that time?

Yes 69-1 No 2

Thank you very much for your help.

NAME: _____ PHONE: () _____

ADDRESS: _____

TOWN/CITY: _____ POSTAL CODE: _____

"I hereby certify that this interview was conducted according to the questionnaire and instructions for this study and that the answers recorded are as given to me by this respondent.

I also realize that a proportion of my work will be checked back for verification."

(INTERVIEWER'S NAME -- PLEASE PRINT)

DATE: _____

(INTERVIEWER'S SIGNATURE)

